

BILL # HB 2613

TITLE: renewable energy enterprise zones (I)

SPONSOR: Mason

STATUS: As Amended By House WM

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FISCAL ANALYSIS

Description

The House Ways and Means strike-everything amendment to HB 2613 assigns property used in generating electricity based on renewable energy and the manufacturing of renewable energy equipment to property class 6, which uses an assessment ratio of 5%. By way of comparison, most commercial and industrial properties, including utilities and manufacturing equipment, are assigned to property class 1, which currently uses an assessment ratio of 23%. The assessment ratio is the percentage that is applied to a property's full cash value in order to derive its taxable value.

Estimated Impact

Based on estimates provided by DOR, the House Ways and Means strike-everything amendment to HB 2613 could have a General Fund cost of \$1.4 million beginning in FY 2010. The bill will result in a reduction in statewide net assessed valuation (NAV), which will increase the state's K-12 education formula cost. However, the fiscal impact resulting from the NAV loss could be offset by reducing the cost of automatic school tax rate reductions under the state's truth-in-taxation (TNT) provisions. The net General Fund cost if the TNT savings are incorporated would be an estimated \$0.2 million beginning in FY 2010.

Analysis

Compared to current law, DOR estimates that the strike-everything amendment to HB 2613 will reduce statewide net assessed valuation (NAV) by about \$(44.3) million beginning in tax year 2009. Under the Basic State Aid formula, the state pays for the cost of K-12 education not generated through local property taxes. The state also pays a percentage (39% in FY 2010) of residential school property taxes through the Department of Education's Homeowner's Rebate program. By reducing NAV by \$(44.3) million in tax year 2009, the bill will result in a direct increase of the state share of K-12 funding by \$1.4 million in FY 2010. This estimate includes the net impact on both Basic State Aid and the Homeowner's Rebate.

The NAV reduction under the proposal will also generate savings in the cost of the state's TNT program. TNT reduces the qualifying tax rate (QTR) to offset growth in existing property values. This reduction occurs automatically unless the Legislature decides to forego the TNT adjustment. For FY 2010, the school tax rate is expected to be reduced by 13.9¢ under existing statutes. However, the lower NAV under the proposal would result in the tax rate reduction being 0.2¢ less than under current law or 13.7¢, which constitutes a TNT saving of \$(1.2) million.

As noted above, the fiscal impact of the strike-everything amendment to HB 2613 depends on whether the TNT impact is included or not. In the absence of a TNT adjustment, it is estimated that the cost to the General Fund, beginning in FY 2010, will be about \$1.4 million. However, if the QTR is adjusted to account for TNT, the bill's General Fund cost would be limited to \$0.2 million.

Local Government Impact

This bill would shift the tax burden to property owners not affected by this legislation and/or result in property tax losses for local governments.